

CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Senator Douglas Releases a Compilation of
Economic Indicators for the U.S.S.R.

According to studies contained in "Annual Economic Indicators for the U.S.S.R.", released today on behalf of the Joint Economic Committee by Senator Paul H. Douglas (D., Ill.), Chairman of the Committee, the growth of the Soviet economy appears to have severely slowed since 1958.

The average rise in Soviet output has fallen off sharply in the period 1959-62 to a rate of 4.6 percent per year from an average rate of 6.8 percent during the period 1950-58. The agricultural sector appears to have stagnated throughout the recent period, 1958-62, increasing at the imperceptible rate of 0.4 percent per annum. Meanwhile, Soviet agricultural employment for 1962 continued at 7 times that of the United States, although the population of the U.S.S.R. is only 19 percent greater than that of the United States. The annual increase in industrial production has declined to about 7 percent a year during this recent period from over 10 percent in earlier years.

Preliminary information for 1963 indicates an even less favorable growth record. The last two years are heavily influenced by two successively disastrous agricultural seasons. Even if it were assumed that agriculture had continued at its former rate of increase, the pattern of growth in Soviet overall output would be drastically below the 6.8 percent annual average of 1950-58.

The declining growth rate of the Soviets is partially explained by a less favorable manpower situation -- the rate of employment increase has dropped to 1.3 from 1.7 percent--but more striking has been the declining

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rate of productivity advancement, even if the effects of weather conditions are removed.

Concurrently there has been a decline in the rate of increase in per capita consumption which is largely attributable to the manifold agricultural failures and, to a lesser extent, to the decline in new housing construction. During the period 1958-62, Soviet per capita consumption increased less than that of Germany and Italy, and was about equal to that of France, despite the fact that all of these countries have higher standards of living.

The Soviets have also experienced a decline in the rate of return on investments. While it is difficult in an economy primarily state-owned to measure the actual return on capital investment, as we understand the term in the Western economic sense, it appears that the Soviet economy is currently operating at the lowest investment return (highest marginal capital-output ratio) of all major economies, except for the United Kingdom. This can be attributed in part to a recent attempt to shift investment from agriculture and industry into service sectors (education, health, science, etc.) with slower payoffs, and to shifting investment within industry out of coal, electrical power, and machinery into the unfamiliar field of chemical technology.

Although the Soviet GNP in 1962 was approximately 46 percent the size of the United States and almost equal to the combined GNP of the principal Common Market countries, the per capita GNP of the U.S.S.R. is only 37 percent that of the United States, and more than a third below France, Germany, and the United Kingdom. Per capita consumption in the U.S.S.R. is about 25 percent that of the United States and 50 percent that of France, Germany, and the United Kingdom. Per capita defense outlays are about two-thirds of the

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United States and nearly double that for France, Germany, and Italy. Thus, the overwhelming importance which the Soviet Union has placed in the past on defense can be seen.

The materials submitted by the various experts confirm earlier evidence that severe dislocations and extreme problem areas exist for the Soviet economy at the present and in the near future. Projections of the most probable Soviet growth rate are that the rapid expansion experienced in the 1950's will continue to slow down and that the disparity between the growth rates of the United States and the U.S.S.R. will be considerably narrowed. However, the Soviet Union will grow little or no faster than France and Italy, and considerably slower than Japan.

These statistical materials represent the Committee's continuing interest in the development of the Soviet economy. In large part they are revisions and updatings of materials contained in the December 1962 Joint Economic Committee publication entitled, "Dimensions of Soviet Economic Power."

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